

# Mechanic & Related

March 22, 2012 Term Sheet

VS.

July 10, 2012 Tentative Agreement

Explained



# July 10, 2012 Tentative Agreement

## How we got here

### **American Airlines entered in to bankruptcy on November 29, 2011**

- Each major employee group union and non-union were required to make cost cuts that would equate to \$1.25 billion annually.
- The five major groups were each targeted to be responsible for 20% of the \$1.25 billion. M&R was responsible for \$209.9 million. Because of the recent APA T/A, the M&R 'ask' has been reduced 15%. This, along with changes in the profit-sharing plan has reduced the M&R 'ask' to \$156.42 million.
- TWU M&R was hit especially hard with not only freezing the pensions and terminating the retiree medical plans but also an increase in aircraft maintenance outsourcing in M&R from ~10% of total maintenance spend to 35% of total maintenance spend along with outsourcing various Title II work.

**Under the very restrictive conditions of bankruptcy, the TWU has worked diligently to come up with an alternative to the 3/22 Term Sheet. The July 10, 2012 M&R Tentative Agreement captures improvements from the company's last offer such as enhanced 401k, lower insurance premiums, 15% in wage increases, plus an automatic wage adjustment to industry comparators average after 36 months, a twenty four month early opener and it reduces the amount of outsourcing.**

# July 10, 2012 Tentative Agreement

Before you vote, information to consider

## **We are not in the collective bargaining process**

- During the normal collective bargaining process, the contract remains status quo. In the 1113 process, the contract can be rejected by the Bankruptcy Judge if he finds that statutory requirements have been met (as has been found in nearly all cases).

## **What if the TA is rejected and the Court denies the motion to reject the CBA?**

- Even though the TWU presented its best case, none of the experts believe that any union will prevail in preventing rejection of the CBAs. In the very unlikely event that the Judge denies the motion to reject the CBA, the picture will not be all rosy at the end of the exclusivity period the creditors would be free to propose their own plans of reorganization which could include merger or break-up.

# July 10, 2012 Tentative Agreement

Before you vote, information to consider

## What if the TA is rejected and the Court rejects the CBAs?

- Under this scenario, the Company will impose rates of pay, rules and working conditions. AA's position is that these rates of pay, rules and working conditions will remain in effect until a successor agreement can be reached. However, we have the following concerns:
  - These issues are plagued with legal uncertainty, and it is not definitively clear what RLA procedures govern negotiations and their aftermath following abrogation of a CBA.
  - If negotiations are not successful, we will follow a strategy that leads to self-help. However, because of the legal uncertainties it is not at all clear how--let alone when--we reach the point of being able to legally resort to self-help. The best we may realistically hope for is that we will be following RLA procedures which may eventuate in a release from negotiations by the National Mediation Board. Even in that case, however, as this membership knows, the NMB does not grant such releases quickly; in fact, many groups have been held in mediation for years.
- Even if we are released at some point in the future, the US President could put in place a PEB. It is impossible to know what a PEB would recommend, particularly if the Company remains financially weak.
- We do not know what terms will be imposed. The company has indicated they would impose the March 22, 2012 term sheet.
- The possibility of a merger is high following emergence from BK. The Tentative Agreement provides job and seniority provisions. Without an agreement in place, a merger unfavorable to TWU members would pose significant problems for our members seniority and employment rights.

# July 10, 2012 Tentative Agreement

Before you vote, information to consider

## What if the TA is accepted?

- Understanding all the choices - this is the best alternative
  - It captures the significant differences between the Last Best Offer and the Tentative Agreement such as enhanced 401k, lower insurance premiums, and 15% in wage increases, plus an automatic wage adjustment to industry average after 36 months.
  - With the 24 month early opener, contract negotiations can begin at DOS + 48 months.
  - Eliminates the inevitable risk of a lengthy RLA delay in Section 6 bargaining- with minimal chance of self help.
  - With a successor clause in place in the Agreement, the TWU membership are in the best position to weather a merger or hostile takeover.
  - With a consensual agreement the TWU would be entitled to equity in the new company. However, such equity is contingent upon court approval and membership ratification of a consensual agreement. The equity is designed to recognize some of our concessions. AA has agreed to extend to the TWU the basic terms and formula of the APA equity arrangement agreement.

# Tentative Agreement

## The 1113c and Abrogation

### Consequences of a NO Vote, Rejecting Tentative Agreement

#### **Will the unchanged terms of our current contract stay in place?**

- No. If the judge rules to reject the contract, it is completely terminated.

#### **Do we lose all of our benefits and rights contained in the current contract?**

- If the judge rules to reject our CBA, it will be completely abrogated. We will have no contract going forward. We expect AMR to only change our work rules and benefits consistent with their March 22<sup>nd</sup> 1113 ask filed with the court.

#### **Will we have to restart negotiations?**

- Yes. If the judge rules to reject our CBA, we would have to go back to the table, but in the meantime we would be without a contract. There have been several court rulings that have held that if there is no collective bargaining agreement there is no RLA status quo requirement. This creates a risk that the Company could unilaterally impose further concessions

#### **Will the judge still be issuing a final ruling on American's 1113 motion to reject our CBA?**

- Yes. The judge will have to determine whether to reject our CBA.

#### **Does this vote have any impact on the possible US Airways merger?**

- No. That is a separate path that has nothing to do with this vote.

# Tentative Agreement

## The 1113c and Abrogation

### Consequences of a YES Vote, Accepting Tentative Agreement

#### **Will the unchanged terms of our current contract stay in place?**

- Yes. All of the changes that we vote on will take effect. The remaining unchanged terms will continue as part of a new successor contract.

#### **Do we lose all of our benefits and rights contained in the current contract?**

- No. All of the changes we approve will become part of our contract going forward. All other terms that were not changed will remain in full force and effect.

#### **Will we have to restart negotiations?**

- No. We will have approved a successor six-year contract with the right to reopen twenty-four months early.

#### **Will the judge still be issuing a final ruling on American's 1113 motion to reject our CBA?**

- No. But the judge will still have to approve the new CBA.

#### **Does this vote have any impact on the possible US Airways merger or any other airline?**

- No. That is a separate path that has nothing to do with this vote.

# Tentative Agreement

## Reject or Accept – Quick Overview

### Consequences of a NO Vote, Rejecting Tentative Agreement

**Those over 45 years of age with 15 years of service wanting to separate from the Company**

- No early out
- Retiree prefunding returned with no Company match – this would be challenged in court
- No raises for six years
- Layoffs increase to ~4,300 employees

#### **For those continuing employment**

- Employee portion of retiree prefunding returned with no Company match – this would be challenged in court
- No raises for six years per Company's term sheet
- Layoffs increase to ~4,300 M&R members
- After contract rejection will start contract negotiations - again

#### **For those within the possible RIF group of ~4,300**

- No involuntary mitigation options available

### Consequences of a YES Vote, Accepting Tentative Agreement

**Those over 45 years of age with 15 years of service wanting to separate from the Company – do not need to be affected by RIF**

- Early out provision available that pays regular severance, \$12,500 (if eligible), and \$10,000 – maximum of \$39,530

#### **For those continuing employment**

- 3.0% raise DOS, DOS+12, DOS+24, and DOS+36 months
- Wage Adjustment to Industry Average Hourly Rate of Pay at 36 months from DOS
- 1.5% raise at DOS+48 and DOS+60
- Retiree medical prefunding– employee portion refunded after 120 days of DOS. Company match – see details in this document

#### **For those within the possible RIF group of ~2,000**

- Early out and Stand in Stead options will mitigate involuntary layoff numbers



# Term Sheet vs. Tentative Agreement

## Duration of CBA

AA Position at 1113(c) filing 3/22/12

***Effective with a "NO" Vote and Contract Abrogation***

### **Terms apply for 6-year period from Date of Signing**

- AA moves forward with motion to reject CBA
- Company proposal seeks six year duration. TWU position is that a No vote leads to continued RLA negotiations upon emergence from BK and no duration.
- AA will implement items in the Term Sheet *(listed in the March 22, 2012 document excluding items that were dependant on a consensual agreement)* upon granting of motion by US BK Court Judge
- The TWU continues with contract negotiation per the Railway Labor Act

AA/TWU Tentative Agreement

**Effective with a "Yes" Vote**

### **Agreement covering 6 year period from Date of Signing (twenty-four (24) month early opener)**

- Judge grants AA Motion to accept terms approved by membership
- AA withdraws motion to reject CBA
- The TWU and AA sign new CBA and administer terms accordingly
- TWU can initiate early openers Section Six contract negotiations within twenty-four (24) months of amendable date.

# Term Sheet vs. Tentative Agreement

## Compensation – Title I & II Rates of Pay

AA Position at 1113(c) filing 3/22/12  
***Effective with a “NO” Vote and Contract  
Abrogation***

### **Title I & II Hourly Rates of Pay**

- Per the Company’s March 22<sup>nd</sup> Term Sheet  
No increases will apply if membership rejects  
Final Best Offer

### **Title II Hourly Pay Rates**

- Adjust Plant Maintenance Mechanic pay scale in 4(b) from 5 years to 9 years for new employees only

AA/TWU Tentative Agreement  
**Effective with a “Yes” Vote**

### **Title I & II Hourly Rates of Pay**

- Modify Article 4 to provide Base Pay Rate increases for all Classifications on the following pay scale
- Effective DOS        months 3.0%
- Effective DOS+ 12    months 3.0%
- Effective DOS+ 24    months 3.0%
- Effective DOS+ 36    months 3.0%
- Effective DOS+ 48    months 1.5%
- Effective DOS+ 60    months 1.5%

### **AMT / Plant Maint. Mechanic Classification Market Rate Adjustment**

- Pay rates will be adjusted per the Legacy Airline average (United, Delta, and US Airways) at 36 months after DOS
- All other classifications wage adjustment at 36 months DOS based on Employee Cost index.

### **Title II Hourly Pay Rates**

- No change to pay scale length

# Term Sheet vs. Tentative Agreement

## Compensation – MRP

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### **Midnight Retention Premium**

- Modify 4(c) to eliminate the Midnight Retention Premium

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### **Midnight Retention Premium**

- Retain Midnight Retention Premium – no change keep \$0.50 hourly

# Term Sheet vs. Tentative Agreement

## Compensation – Profit & Gain Sharing

AA Position at 1113(c) filing 3/22/12  
*Effective with a “NO” Vote and Contract  
Abrogation*

### Profit Sharing Plan

- No Profit Sharing will apply if court rejects contract

### Gain Sharing Plan

- No Gain Sharing plan

AA/TWU Tentative Agreement  
Effective with a “Yes” Vote

### Profit Sharing Plan

- Implementation of the enhanced profit Sharing Plan which pays 5% of pre-tax profits. This plan pays after the first dollar of profit as opposed to previous plans where a base profit must be made prior to a payout.

### Gain Sharing Plan

- Provide for a joint committee to explore appropriate metrics and financial payouts of a gain sharing program for Line Maintenance and for Base Maintenance – separate plans for each group for example
  - Safety
  - Compliance
  - Quality
  - Efficiency
  - Cost
  - Asset Utilization

# Term Sheet vs. Tentative Agreement

## Scope – Title II Staffing

AA Position at 1113(c) filing 3/22/12  
***Effective with a “NO” Vote and Contract  
Abrogation***

### Title II Staffing

- **Reduce 966 Title II jobs**
- Modify Article 1(d) to Provide for staffing with the TWU represented employees at stations with more than 7300 annual AA departures (Title II Only)
- Stations to be de-staffed
  - ATL, SAT, PHX, DEN, SAN, SEA, SNA, FLL, RDU, PHL, IAH, MCI, MSP, IAD, EWR, BNA, MSY, TUS, BWI, ABQ, ELP, SJC, OKC, DTW, IND, PDX, BDL, CMH, MEM, MCO, RNO, SJU, HDQ, FSU, GSW, SOC, TPA and TUL

AA/TWU Tentative Agreement  
**Effective with a “Yes” Vote**

### Title II Staffing

- **Reduce 456 Title II jobs**
  - 235 Plant Maintenance Mechanics to be moved to new Maintenance Support Person (old Plant Maintenance Man and pay scale)
- Modify Article 1(d) to provide for staffing of TWU (Title II) at stations where TWU Fleet Service Clerks are staffed (“Me Too” with Fleet Service)
  - Continue staffing with 5475 or more annual departures
- Stations to be de-staffed
  - FLL, TUS, ABQ, OKC, IND, PDX, CMH, MEM, RNO, BNA, IAH, MCI, MSP, IAD, MSY, BWI, TUL, ELP, DTW, BDL, PHX, SEA, SNA, HDQ, FSU, GSW, SOC, SJC, EWR, PHL, RDU, DEN, SAN
- LOM to maintain staffing at certain stations that are at or beyond 2555 for the duration of the agreement

# Term Sheet vs. Tentative Agreement

## Scope – Title II Scope

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### **Modify Article 1 to permit the outsourcing of the following Title II work**

- Cabin cleaning, eliminate Cabin Cleaner classification; all existing building cleaner work, and eliminate Building Cleaner classification; Ground Service Equipment work at Bases, and create a “Hot Shot” crew to provide support/emergency GSE support; High Voltage Electrical Maintenance at Bases; Fire Extinguisher Maintenance at Bases; Central Plant Operation and Maintenance at Bases; Waste Water treatment Operation and Maintenance at Base; painting projects at Bases; concrete, fencing, and carpentry projects at Bases ; Outsource all Ground Service Equipment work on non-powered equipment at Line Stations; Lock and Key functions; Ground Service Equipment and Facility Maintenance work related to the Cargo facilities; all Facilities Maintenance work at HDQ, FSU, GSW, AFW, and SOC; Terminal and Hangar Facilities Maintenance work, except for bag systems, carousels and jet bridges (including PCA and KVA).
- No TASEL Title II jobs

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### **Modify Article 1 to permit the outsourcing of the following Title II work**

- Outsource all Cabin cleaning, eliminate Cabin Cleaner classification
- Outsource all existing building cleaner work, and eliminate Building Cleaner classification
- Outsource High Voltage (13,500 v) Electrical Maintenance work at Bases
- Central Plant Operation and Maintenance work at TULE will consist of 20 Plant Maintenance Mechanics and 20 Plant Maintenance Men (PMM)
- Outsource all work at AFW, except TAESL. Qualifications for TAESL (TAESL operations, CUP, IWTP, Haz waste) will be PM92. The support for TAESL will consist of 2 Plant Maintenance Mechanic Crew Chiefs, 28 Plant Maintenance Mechanics. There will not be GSE support.
- Outsource Concrete, fencing, and major carpentry projects at TULE.
- Ground Service Equipment work on non-powered equipment at DAS Stations to be done by PMM, provided PMM scope includes welding and use of cutting torch.
- Outsource all Facilities Maintenance work at HDQ, FSU, GSW, SRO and SOC.
- Outsource all Facility and GSE-related work associated with Cargo where Fleet Service is not staffed.
- Company retains the right to outsource non-routine work.

# Term Sheet vs. Tentative Agreement

## Scope – Title II Job Classifications

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

**Elimination of 966 Title II jobs in favor outsourcing**

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

**Create new job classifications to reduce outsourcing**

- Change the name of Plant Maintenance Man to Maintenance Support Person
- Establish new qualification requirement for Plant Maintenance Mechanic and Plant Maintenance Man
- Expand MSP (formerly PMM) job scope
- Establish a journeyman progression program for MSP
- Increase system cap of 35% on MSP
- Modify local procedures/policies to encompass changes such as OT, VC, and shift.
- Implementation of these Title II provisions will be within a six (6) month period. If mechanic reductions are not realized by attrition, a Reduction in Force will result
- Title II Headcount reductions at TULE – Letter

# Term Sheet vs. Tentative Agreement

## Scope – Title I Scope

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

**Modify Article 1 and all other applicable sections and attachments to the CBA and all other LOA’s related to this provision to permit outsourcing of up to 40% of aircraft-related maintenance work currently done in house – (based on man-hours)**

- **Reduce 3,270 Title I Jobs**
- Company to close AFW – TAESL remains open and staffed until the Joint Venture decides otherwise
- Outsource – 777 MBV, 777 AD’s, 767 HC, 767 LC, 767 FS, 767 ATE/Maui/Winglets, 737 Retrofit, 757 HC and CIP, 757 LC, 757 Maui, 757/767/777 NGS, other Aircraft Modifications, other special visits and associated back shop support
- Outsource peak demand work
- Line Maintenance – outsource within the total of 40% for M&E (e.g. Scheduled Line Work, Specialty Work, Select B Checks (1 W/B and 2 N/B), Int'l Maintenance, Overnight Maintenance, Fuel Tank Work)

AA/Tentative Agreement

**Effective with a “Yes” Vote**

**Modify Article 1 and all other applicable sections and attachments to the CBA and all other LOA’s related to this provision to permit outsourcing of up to 35% of aircraft-related maintenance work currently done in house – (based on maintenance spend)**

- **Reduce 1,994 Title I Jobs**
- Company to close AFW – TAESL remains open and staffed until the Joint Venture decides otherwise
- AFW work relocated to TULE or DWH – 767 LC/HC, 767SV, 777 SV, 777 TRV, Slide shop, coffee makers/oven shop, and battery shop.
- Outsourced – 777 MBV, 767 FS, 767 SIP, 757 HC, 757 MC, associated back shop support, Main Cabin Extra Special Visits – All Fleet types, Window Shop, Blade and Vane Shops.
- Outsource peak demand work.
- Line Maintenance – outsource up to 15% of Line Maintenance spend of the Line Maintenance budget within the total of 35% for M&E (e.g. Line MX (CFPs), Int'l Maintenance, Overnight Maintenance, Fuel Tank Work)
- Outsource peak demand work



# Term Sheet vs. Tentative Agreement

## Work Rules – Hours of Work

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

**Modify Articles 3 and Article 21 to permit management to establish work week, work cycles, and frequency of shift bids**

- Eliminate all local letters of agreement connected to Article 3 & 21
- Modify Article 3(i) to permit management to establish work schedules that include Saturdays and Sundays without restriction
- Eliminate 1/7th rule

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

**Modify Articles 3 and Article 21 for Base and Line to permit management to establish work week, work cycles, and frequency of shift bids**

- Eliminate all local letters of agreement connected to Article 3 & 21
- Article 3(i) to permit management to establish work schedules that include Saturdays and Sundays without restriction
- Line Stations will bid at least twice per year, unless mutually agreed upon by local management and the local TWU to more.
- Automate the shift bidding system wide- Line
- Eliminate 1/7th rule
- Replaced terminology ‘tour of duty’ with ‘shift’ (no changes to intent)
- Base Rotation of Schedules will be based on a 12 week rotation

# Term Sheet vs. Tentative Agreement

## Work Rules – Overtime

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### Modify Article 6

- Provide for weekly (day off) overtime after an employee has worked in excess of 40 hours in a work week
- Permit the Company to distribute overtime within the crew or appropriate work group as equitably as practicable
- Eliminate all local letters of agreements connected to overtime

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### Modify Article 6

- Eliminate all local letters of agreements connected to overtime. Company and TWU will meet and confer for 30 days following DOS to resolve and reach agreement on procedures. If no agreement is reached, the dispute will be mediated/arbitrated at the next scheduled Maintenance System Board
- One set of universal Overtime Procedures for Line Maintenance
- Where applicable, have terminal and hangar operations in Class I line stations solicited from separate overtime lists.
- Nothing in this Agreement prevents the Company from requesting an employee to voluntarily stay past the end of his scheduled shift for the purposes of job continuity. Such holdover cannot exceed three (3) hours. In the event more than three (3) hours is required, the Company will utilize the procedures described in 6(b) above. For the first 30 minutes, an employee would be paid for time worked. If the assignment extends past 30 minutes but less than an hour, the employee will be paid 1 hour. After hour 1 through hour 3, the employee will be paid for time worked.
- Line Maintenance - Probation employees and 12(M) not eligible for overtime
- Ability to call overtime based on qualifications when appropriate
- Added Early Call In and Recall language from Article 25 into Article 6
- Ability for management to call overtime (Staff Admin) within any of the 4 overtime buckets (HO,ECl, RC and DO
- Added Early Call In and Recall language from Article 25 into Article 6

# Term Sheet vs. Tentative Agreement

## Work Rules – Holidays and Vacation

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### **Holiday changes**

- Eliminate all local letters of agreement concerning holidays

### **Vacation changes**

- Modify Article 8 to provide Flex vacation language stating that bidding will be completed no later than December 15. Employees must bid regular vacation first and then bid flex vacation weeks
  - Flex weeks will be available after number of weeks purchased are identified
- Reduce maximum vacation accrual from 30 days to 25 days
- Eliminate Paid Personal Vacation Days (PV)
- Eliminate all local letters of agreement concerning vacations

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### **Holiday changes**

- Eliminate all local letters of agreement concerning holidays

### **Vacation changes**

- Modify Article 8 to provide Flex vacation language stating that bidding will be completed no later than December 15. Employees must bid regular vacation first and then bid flex vacation weeks
  - Flex weeks will be available after number of weeks purchased are identified
- Reduce maximum vacation accrual from 30 days to 25 days
- Eliminate Paid Personal Vacation Days (PV)
- Eliminate ORD VCO provision

# Term Sheet vs. Tentative Agreement

## Work Rules – Promotions and Job Postings

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

**Modify Article 12 consistent with language from the May 5, 2010 AA/TWU Maintenance and Related Tentative Agreement, with following exceptions:**

- Add process for selection of Crew Chiefs using existing Tech Crew Chief process.
- Remove SMA Classification
- Modify language on transfers to state that once a transfer has been accepted, the employee cannot refuse and the Company cannot rescind the transfer
- Modify language in 12(m) to provide for upgrade transfers to pass qualifications test prior to reporting for the new position
- Modify 12.1 labor loan provision to provide a broader definition of a business unit which will allow for greater flexibility of manpower within the defined area and eliminate all local letters of agreement concerning Labor Loans and manning

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

**Modify Article 12 consistent with language from the May 5, 2010 AA/TWU Maintenance and Related Tentative Agreement, with following exceptions:**

- Add process for selection of Crew Chiefs using existing Tech Crew Chief process, and eliminate TUL Tech Crew Chief letter
- Remove SMA Classification
- Modify language in 12(m) to provide for upgrade transfers to pass qualifications test prior to reporting for the new position
- Modify 12.1 labor loan provisions to provide a broader definition of a business unit (One shop operations) which will allow for greater flexibility of manpower within the defined area
- Electronic bidding for higher capacity
- Eliminate ORD temporary re-assignment of work load letter, and DFW reassignment of manning procedure

# Term Sheet vs. Tentative Agreement

## Work Rules – Reduction in Force

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

**Eliminate Article 14 (b) and modify Article 15 as follows:**

- Crew Chief, Tech Crew Chief, and Inspector will be surplus back to basic classification at their location
- Employees identified as being subject to RIF or displacement will be given 15 days to complete an online option form. The RIF will be conducted virtually, the forms will be processed with vacancies being filled first then bump options, after which employees will be given 14 days to report
- Modify Article 15(i), l(4) to provide that if an AMT or PM Mechanic, as a result of a reduction in force, elects to fill an OSM or PMM position he will not carry his classification and chart rate as an AMT or PM Mechanic into the OSM or PMM position

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

**Maintain Article 14 at current book and modify Article 15 as follows:**

- Modified Article 15 language from May 2010 T/A (removed system protection language)
- Maintained AMT Base Rate protection for AMT's RIF'd and selecting OSM position – AMTO
- Title II pay protection for reduced mechanic to MSP
- New LOM for one-time restructuring RIF
- For purposes of RIF only, DFW & DWH will be considered as one station

# Term Sheet vs. Tentative Agreement

## Work Rules – Recall, Leaves of Absence, & Training

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### Recall

- Substitute Article 16 from the May 5, 2010 AA/TWU Maintenance and Related Tentative Agreement with the exception of 16(a), which shall be modified to reflect 5 year recall rights

### Leaves of Absence

- Modify Article 17 – Leaves of Absence to reduce the duration of a SLOA and IDLOA from 5 years to 3 years

### Training

- Clarify that, pursuant to Article 23, training will be assigned to those that will perform the work, with regard to occupational seniority within the work unit or shop.

AA/Tentative Agreement

**Effective with a “Yes” Vote**

### Recall

- Article 16 from the May 5, 2010 AA/TWU Maintenance and Related Tentative Agreement with the exception of 16(a), which shall be modified to reflect 10 year recall rights

### Leaves of Absence

- Article 17 – from May 05, 2010 agreement. SLOA and IDLOA 5 years

### Training

- Clarified that, pursuant to Article 23, training will be assigned to those that will perform the work, with regard to occupational seniority within the work unit or shop.

# Term Sheet vs. Tentative Agreement

## Work Rules – Field Work & Sick Leave

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### **Field Work**

- Modify Article 26 to provide that Management will develop Field Trip Procedures to include distribution and utilization procedures, eliminate all local agreements concerning Field Trips and Man for Man letters.

### **Sick Leave**

- See Attachment B – “Sick Leave” Utilize ‘Health Vendor Management System’. Similar to using Short Term Disability.
- For full time employee, the first 24 hours of Incidental Sick taken each year will be paid at 100% of regular hourly rate
- Any subsequent Incidental Sick hours/occurrences will be paid at 60% of regular hourly rate
- More than a 40 hrs out sick - in order to get paid sickness/ Illness has to be certified by the Health Management Vendor

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### **Field Work**

- Eliminate all local agreements concerning Field Trips and Man for Man letters.
- Company and TWU will meet and confer for 30 days following DOS to resolve and reach agreement on procedures. If no agreement is reached the dispute will be mediated/arbitrated at the next scheduled Maintenance System Board
- Management has the sole right to determine the location(s) that will support the field trip

### **Sick Leave**

- Modify Article 34 to provide for 50% pay for the first day of absence then 100% pay per occurrence.

# Term Sheet vs. Tentative Agreement

## Work Rules – Meal Period & One Station Agreements

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### **Meal Period**

- No change

### **One Station Agreements**

- Eliminate DFW Hangar 5 (DWH) letter and DWH Title II License/Testing Requirement letter. DWH will be a stand-alone base whether in its current location or at another location at DFW Airport

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### **Meal Period**

- In the event an employee is not provided a meal period the employee will be coded as No Meal by his Manager, and will be permitted to badge off shift 30 minutes prior to his scheduled off time.

### **One Station Agreements**

- Eliminate DFW Hangar 5 (DWH) letter. DWH will be a stand-alone base whether in its current location or at another location at DFW Airport
- No change to Title II testing requirements



# Term Sheet vs. Tentative Agreement

## Job Classification – QAM & Job Description Changes

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

**Modify Article 11(e) and (f) to permit management to establish qualifications and to implement changes to the Qualifications Administration Manual, and eliminate all attachments to Article 11**

- Eliminate restrictions on OSM utilization in Base operation. OSM’s will be allowed to perform semi-skilled work in the hangar and shop operations and increase OSM cap to 30%
- Eliminate Avionics Crew Chief and Avionics AMT position at Line Stations, and all Avionics local letters of agreements
- Clarify that Tech Crew Chief and Crew Chief can assist crews as necessary to insure completion of assignments. Also, confirm Tech Crew Chief may perform the duties of a regular Crew Chief on a non-regular basis
- Consolidate Aircraft Cleaners and Parts Washers classifications; group will be identified as Cleaners
- Modify Job descriptions to encompass the changes in Article 1 and Article 12

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

**Modify Article 11(e) and (f) to permit management to establish qualifications, review changes with TWU, and to implement changes to the Qualifications Administration Manual, and provide for a dispute resolution procedure.**

- Modify restrictions on OSM utilization in Base operations  
OSM cap remains at 25%
- Line Maintenance - Agree to streamline and standardize the utilization of an Avionics Technician by focusing the scope by ATA chapters (Scope TBD). Create a guideline of work scope. During normal work hours the alignment of work will be in accordance with the proposed scope, however, it does not preclude Avionics or General Technicians from doing either bill of work
- Line Maintenance - Avionics tasks are performed by utilizing the “Cradle to Grave” approach to assignments
- Eliminate all Avionics local letters of agreement
- Clarify that Tech Crew Chief and Crew Chief can assist crews as necessary to insure completion of assignments. Also, confirm Tech Crew Chief may perform the duties of a regular Crew Chief on a non-regular basis
- Consolidate Aircraft Cleaners and Parts Washers classifications; group will be identified as Cleaners.
- Modify Job descriptions to encompass the changes in Article 1 and Article 12

# Term Sheet vs. Tentative Agreement

## Benefits – Pension & 401(k)

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### Defined Benefit Pension Plan

- Amend the Basic Agreement so that the company is not required to provide for future benefit accruals under the defined benefit pension plan – **Currently Hard Freeze however may be changed in bankruptcy court**
- Amend the Basic Agreement to provide that that the Company is not required to maintain or fund or provide benefits under a defined contribution pension plan, except as provided below

### 401(k) Plan

- Amend the Basic Agreement to provide that the Company will offer a replacement benefit through the Super Saver 401(k) Plan. Employees will be automatically enrolled (with an option to opt out) at an employee pre-tax contribution of 3% of eligible earnings per payroll period, with a Company match of up to 5.5% of eligible earnings- 2080 hours.

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### Defined Benefit Pension Plan

- Amend the Basic Agreement so that the Company is not required to accrue future service benefits in the defined benefit pension plan – **Hard Freeze**
- Amend the Basic Agreement to provide that that the Company is not required to maintain or fund or provide a defined contribution pension plan, except as provided below

### 401(k) Plan

- Amend the Basic Agreement to provide that the Company will offer a replacement benefit through a Super Saver 401(k) Plan. Employees that aren't enrolled in super saver will be automatically enrolled (with an option to opt out) at a pre-tax contribution of 3% of eligible earnings per payroll period, with a Company match of up to 5.5% of eligible earnings. **including all wages, overtime, CSW, etc.**

# Term Sheet vs. Tentative Agreement

## Benefits – Active Medical & Retiree Medical

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### **Active Medical Plan**

- Standard Plan in the Contract
  - Deductible \$1,000/\$3,000 (single/family) in network
  - Out of Pocket in network Max \$3000/ \$9000 (single/ family)
- All other plans Value and Core can be changed at the discretion of the Company

### **Retiree Medical Plan**

- Prefunding eliminated with all employee funds refunded within 120 days of DOS

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### **Active Medical Plan**

- Deductible \$750/\$2,250 (single/family) in network
- Out of Pocket in network Max \$2000/ \$5000 (single/ family)
- Employee contributions for the Standard and Core medical options for 2013 will be 18%, 2014 will be 19%, 2015 will be 20% and 2016 and thereafter will be 21% of the total projected cost of each forecasted year of healthcare expenses.

### **Retiree Medical Plan**

- Pre-funding eliminated with all employee funds refunded within 120 days of DOS
- Upon completion of the 1114 process, Company matching funds will also be refunded from the Trust
- Early retirees age 55 – 64 will have access to a Company sponsored retiree medical plan option. Contribution rates for this coverage will be 100% of projected annual expenses

# Term Sheet vs. Tentative Agreement

## Job Protection, ASM Cap, and Moving Expenses/Special Severance

AA Position at 1113(c) filing 3/22/12

***Effective with a “NO” Vote and Contract Abrogation***

### **Job Protection**

- Eliminate Article 42 and Attachment 42.1, which currently limit the Company’s ability to layoff protected employees

### **ASM Cap**

- Eliminate Attachment 1.5 “Seat Miles Scheduled by Commuter Air Carriers”

### **Moving Expenses/Special Severance**

- Eliminate Article 44, which provides for a supplemental moving allowance of \$12,500 to each employee who moved base stations during a layoff, or a special severance allowance of \$12,500 to a laid off employee who relinquishes recall and re-employment rights

AA/TWU Tentative Agreement

**Effective with a “Yes” Vote**

### **Job Protection**

- Eliminate Article 42 and Attachment 42.1, which currently limit the Company’s ability to layoff protected employees

### **ASM Cap**

- Eliminate Attachment 1.5 “Seat Miles Scheduled by Commuter Air Carriers”

### **Moving Expenses/Special Severance**

- Eliminate the provision in Article 44, which provides for a supplemental moving allowance of \$12,500 to each employee who moved base stations during a layoff
- Retain, on a one time basis, the special severance allowance of \$12,500 to a previously protected laid off employee who relinquishes recall and re-employment rights for the purposes of the reductions in force associated with the restructuring agreement. One time designation of previously protected employees.

# Term Sheet vs. Tentative Agreement

## Severance/Early Out Incentive

AA Position at 1113(c) filing 3/22/12  
**Effective with a “NO” Vote and Contract  
Abrogation**

**Severance – per contract**

**No Early Out**

AA/TWU Tentative Agreement  
**Effective with a “Yes” Vote**

- Regular Severance per Article 37 Maximum of 13 weeks pay
- **Establish Early Out Incentive Allowance – all employees requesting early out will be granted early out.**
- *Eligibility - Employees subject to a reduction in force in connection with implementation of the restructuring agreement:*
  - Provide regular severance
  - 12,500 special severance payment under Article 44. (If eligible)
  - Must relinquish recall and re-employment rights
- *For all employees, whether affected by a reduction in force or not, who are willing to voluntarily separate from the Company to reduce the involuntary reductions at that station or on the system and who are 45 years of age or older and have 15 years or more of Company seniority, the Company will:*
  - Provide regular severance
  - 12,500 special severance payment under Article 44. (If eligible)
  - \$10,000 separation allowance/\$5000 for part time employee.
  - Must relinquish recall and re-employment rights
- Based on the number of employees willing to choose the Early Out the Company will offer release dates based on operational requirements and occupational seniority will determine when employees can exit the company.

# Term Sheet vs. Tentative Agreement

## Union Business Paid

AA Position at 1113(c) filing 3/22/12

***Effective with a "NO" Vote and Contract  
Abrogation***

**Eliminate Baker Union Business Letter for elected  
representatives**

AA/TWU Tentative Agreement

**Effective with a "Yes" Vote**

**Eliminate Baker Union Business Letter for elected  
representatives**

# Term Sheet vs. Tentative Agreement

## Eliminate Certain LOAs

AA Position at 1113(c) filing 3/22/12  
*Effective with a "NO" Vote and Contract  
Abrogation*

**Eliminate All LOAs**

AA/TWU Tentative Agreement  
**Effective with a "Yes" Vote**

**Eliminate Certain LOAs**

- ORD OT, Field Trip, Holidays, Labor Loan, Avionics, Man for Man, Floating Holiday, Floating VC, PV, Fuel Tank, and Shift Bid
- STL OT, Field Trip, Holidays, Labor Loan, and Shift Bid
- NE Wallen Report and Shift Bid
- MIA OT, Field Trip, Shift Bid, Fuel Tank, and Avionics
- LAX OT, Shift Bid, and Field Trip
- DFW OT, Field Trip, Holidays, Reassignment, Shift Bid, Fuel Tank, and Avionics
- Line Maintenance International Work Letter
- 12(m) AMT QAM

# Term Sheet vs. Tentative Agreement

## SMS, ASAP, and Just Policy

AA Position at 1113(c) filing 3/22/12  
***Effective with a “NO” Vote and Contract  
Abrogation***

**No language in contract**

AA/TWU Tentative Agreement  
**Effective with a “Yes” Vote**

**Safety Management System, ASAP, and Just Policy**

- Establish two TWU positions for the Line and Base to conduct the following activities that report to the Director of Maintenance
  - Just Culture/Just Policy
  - MEAA Investigations
  - ASAP/Voluntary Reporting
  - Self-Audit Programs
  - CASS Process
  - FOQA
  - Maintenance LOSA
  - FAA/NTSB Related Events



# Term Sheet vs. Tentative Agreement

## M&E Business Process

AA Position at 1113(c) filing 3/22/12  
*Effective with a "NO" Vote and Contract  
Abrogation*

No language in contract

AA/TWU Tentative Agreement  
Effective with a "Yes" Vote

### M&E Business Process

- Establish a contractual process for improving the way American Airlines M&E functions by being actively involved in
  - Workload Allocation
  - Communication
  - Manpower and Time Standards
  - Cost and Performance Benchmarking
  - Training
  - Safety and Compliance
  - Maintaining Certifications
  - Work Area Configuration
  - Business Process Standardization
  - Continuous Process Improvement

# Term Sheet vs. Tentative Agreement

## Title I and II Wage Adjustment

AA Position at 1113(c) filing 3/22/12  
*Effective with a "NO" Vote and Contract  
Abrogation*

**No adjustment**

AA/TWU Tentative Agreement  
**Effective with a "Yes" Vote**

### **Title I and II Wage Adjustment**

- AMT and PMM wages will be reviewed at 36 months after DOS to establish industry average rates of pay
- If American AMT and PMM wages are behind the legacy average of United, Delta, and US Airways a wage adjustment to base hourly rate will be made to the legacy average wage (cannot be adjusted down)
- Does not involve re-opening of the contract and pay adjustment is automatic
- All non-AMT and PMM classifications to receive wage adjustment based on Employee Cost Index

# Appendix – Headcount Reductions

## Comparison March 22, 2012 versus Tentative Agreement

March 22, 2012 AA Proposal Filed in Court - Headcount Changes L / (H)	301 AMT	320 CC	303 Stock Clerk	301 Inspector	310 FAC MTX	313 PLT MTX	315 OSM	302 FSC	311 BLD CLNR	309 AC CLNR	301 PTS WSHR	Cabin Clnr/ Utility	301 MCT	Total TWU
TUL	1,712	159	155	153	204	(86)	(191)	124	79	(40)	89	0	0	2,358
AFW Non-TAESL	554	80	96	46	116	15	215	0	0	48	9	0	0	1,179
AFW TAESL	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DWH	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Base Maintenance M&E	2,266	239	251	199	320	(71)	24	124	79	8	98	0	0	3,537
Line Maintenance M&E	376	55	13	5	0	0	0	0	0	0	0	0	16	465
Domestic Airport Services (Title II)	0	0	0	0	581	0	0	0	0	0	0	57	0	638
<b>Total Headcount Reductions (XX) Indicates Add</b>	<b>2,642</b>	<b>294</b>	<b>264</b>	<b>204</b>	<b>901</b>	<b>(71)</b>	<b>24</b>	<b>124</b>	<b>79</b>	<b>8</b>	<b>98</b>	<b>57</b>	<b>16</b>	<b>4,640</b>
<b>Outsourcing</b>	<b>2,118</b>	<b>239</b>	<b>258</b>	<b>204</b>	<b>812</b>	<b>18</b>	<b>369</b>	<b>0</b>	<b>79</b>	<b>89</b>	<b>9</b>	<b>57</b>	<b>0</b>	<b>4,252</b>
<b>Work Rules (XX) Indicates Add</b>	<b>523</b>	<b>55</b>	<b>6</b>	<b>0</b>	<b>89</b>	<b>(89)</b>	<b>(345)</b>	<b>124</b>	<b>0</b>	<b>(81)</b>	<b>89</b>	<b>0</b>	<b>16</b>	<b>387</b>

Note: Red Brackets ( ) indicate a net INCREASE in headcount. Black lettering indicates a DECREASE in headcount. For example, (345) OSM is a net increase in 345 OSM's

July 10, 2012 Tentative Agreement - Headcount Changes L / (H)	301 AMT	320 CC	303 Stock Clerk	301 Inspector	310 FAC MTX	313 PLT MTX	315 OSM	302 FSC	311 BLD CLNR	309 AC CLNR	301 PTS WSHR	Cabin Clnr/ Utility	301 MCT	Total TWU
TUL	882	36	86	45	71	(20)	(334)	34	80	0	8	6	0	894
AFW Non-TAESL	524	80	156	46	116	15	215	0	0	48	9	0	0	1,209
AFW TAESL	43	2	0	5	(30)	0	0	0	0	0	0	0	0	20
DWH	(20)	(13)	(27)	0	0	0	(55)	0	0	0	0	0	0	(115)
Base Maintenance M&E	1,429	105	215	96	157	(5)	(174)	34	80	48	17	6	0	2,008
Line Maintenance M&E	410	29	2	0	0	0	0	0	0	0	0	0	12	453
Domestic Airport Services (Title II)	0	0	0	0	391	(230)	0	0	0	0	0	57	0	218
<b>Total Headcount Reductions (XX) Indicates Add</b>	<b>1,839</b>	<b>134</b>	<b>217</b>	<b>96</b>	<b>548</b>	<b>(235)</b>	<b>(174)</b>	<b>34</b>	<b>80</b>	<b>48</b>	<b>17</b>	<b>63</b>	<b>12</b>	<b>2,679</b>
<b>Outsourcing</b>	<b>972</b>	<b>55</b>	<b>212</b>	<b>71</b>	<b>292</b>	<b>21</b>	<b>170</b>	<b>17</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>63</b>	<b>0</b>	<b>1,953</b>
<b>Work Rules (XX) Indicates Add</b>	<b>867</b>	<b>79</b>	<b>5</b>	<b>25</b>	<b>256</b>	<b>(256)</b>	<b>(344)</b>	<b>17</b>	<b>0</b>	<b>48</b>	<b>17</b>	<b>0</b>	<b>12</b>	<b>726</b>

Note: Red Brackets ( ) indicate a net INCREASE in headcount. Black lettering indicates a DECREASE in headcount. For example, (256) PLT MTX is a net increase in 256 PMM's

The Tentative Agreement saves ~1,961 jobs from elimination and with the Early Out and SIS option, involuntary reductions will be lower.